European Multiannual Financial Framework: the fragile balance between political ambitions and budgetary constraints

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Presented by the European Commission on the 16th July 2025, the Multiannual Financial Framework ("MFF") could become a major lever for decarbonisation and competitiveness, with nearly EUR 700 billion dedicated to climate action. With a total envelope amounting to EUR 1.98 trillion for the 2028 - 2034 period, equivalent to 1.26% of the Union's gross national income (GNI), it represents a significant increase compared with the EUR 1.2 trillion allocated under the current 2021–2027 framework[1]. Qualified by President Ursula von der Leyen as "the most ambitious [budget] ever proposed", the plan nevertheless crystallises institutional tensions.

The proposed 2028-2034 MFF aims to reshape the structure of the EU budget in order to channel resources toward the sectors with the highest added value for the Union. Yet, this new framework must also contend with multiple constraints: limited EU resources, fragile national budgets as well as the reimbursement of the NextGenerationEU recovery plan, financed through joint borrowing during the Covid-19 pandemic.

A modernised revenue system preserving national contributions

To support this ambitious MFF, the Commission proposes to modernise and diversify the sources of revenue for the EU budget. This plan would allow stable national contributions while taking into account rising financing needs and the Union's reimbursement commitments.

The Commission is considering several new sources of revenue to complement existing own resources:

- revenue from the EU Emissions Trading System (EU ETS), which could generate around EUR 10.8 billion per year on average;
- revenue from the Carbon Border Adjustment Mechanism (CBAM), already operational but not yet allocated to the budget, which could yield around EUR 1.5 billion per year;
- a levy on non-collected e-waste, estimated at EUR 16.9 billion per year;
- an excise duty on tobacco products (TEDOR), which would generate an additional EUR 12.6 billion;
- a contribution from large companies (CORE), estimated to generate around EUR 7.6 billion per year.

Funded mainly through contributions from Member States, the EU budget remains a recurring source of tension. Historically, the so-called net contributors, which pay more into the EU budget than they receive from it, advocate for limiting the envelope to 1% of the Union's GNI. Conversely, net beneficiaries argue for a more ambitious budget equivalent to 1.3% of EU GNI. At the heart of this debate lies the question of "fair return", each Member State seeking support proportional to its contribution. Yet this discussion goes beyond the simple financial calculations, touching upon the democratic legitimacy of the Union to create new own fiscal resources.

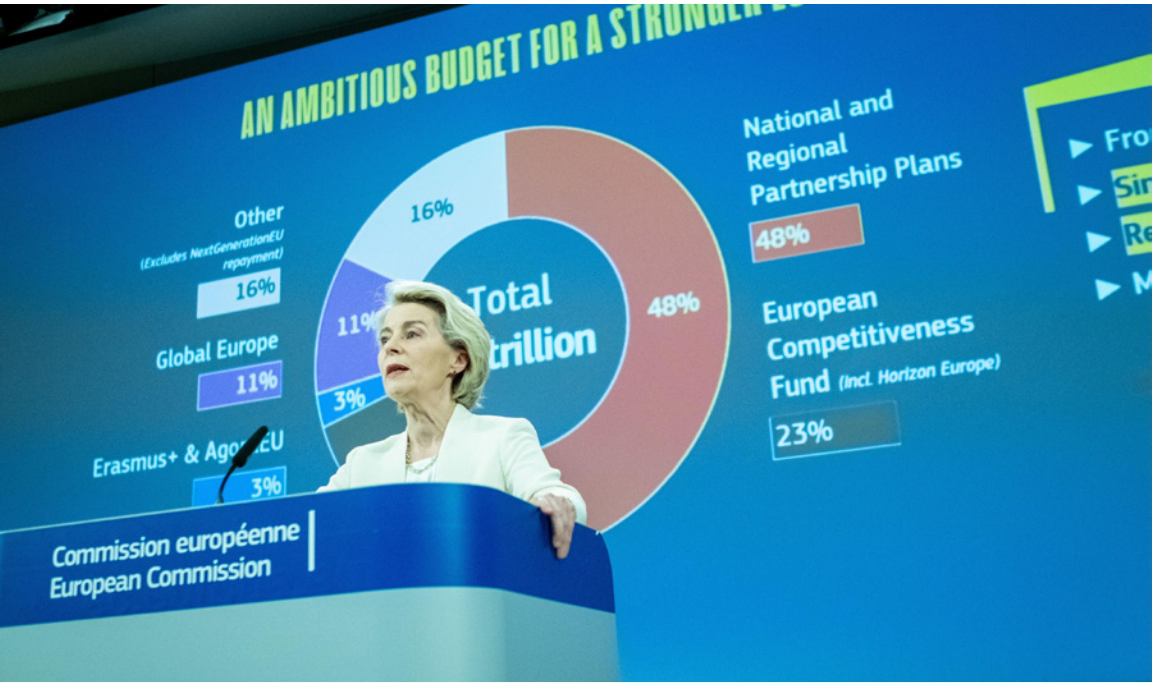
A budget restructured around strategic priorities

The European Commission proposes a complete overhaul of the long-term budgetary architecture. The new structure would reduce the number of EU programmes from 52 to 16, coupled with efforts to make the budget more flexible including a greater share of unprogrammed amounts and increased possibilities to transfer resources across budget headings.

Under this approach, the long-term budget, previously organised by broad policy areas, would be built around three strategic pillars:

- Economic, social and territorial cohesion, largely built around national and regional partnership plans;
- Competitiveness, prosperity and security;
- A Global Europe, focused on external policy.

1. *Excluding Next GenerationEU, the EUR 807 billion European recovery plan.*



Press conference by President of the European Commission Ursula von der Leyen on the Multiannual Financial Framework (MFF) for 2028-2034.
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Economic, social and territorial cohesion

The first pillar constitutes one of the major innovations of this budgetary overhaul. Allocated EUR 865 billion, including EUR 50 billion from the Social Climate Fund, it would merge fourteen existing funds, combining the traditional resources of the Common Agricultural Policy and Cohesion Policy. Representing 44% of the future MFF, it would be the largest expenditure block, also including repayment of the EU recovery plan.

Competitiveness, prosperity and security

The second pillar would be centred on the future European Competitiveness Fund, a "mega-fund" with a total envelope of EUR 409 billion aimed at strengthening the competitiveness of European companies by supporting research, innovation and the deployment of strategic technologies across the Union. It would also incorporate the Connecting Europe Facility (CEF) dedicated to cross-border energy and transport infrastructure, as well as a new programme to deepen the Single Market.

A Global Europe

The third pillar, dedicated to external action, would be endowed with EUR 200 billion, in addition to the EUR 100 billion support programme for Ukraine financed outside the MFF.

A difficult start to negotiations

What was expected to be a flagship moment ahead of the summer recess led to strong reactions both in Brussels and in national capitals. Members of the European Parliament denounce an undersized budget, arguing that too large a share of resources is allocated to the reimbursement of the recovery plan, leaving insufficient capacity for investment in the Union's priority sectors.

The European Parliament had already expressed concerns in its May 2025 resolution, particularly critical of the proposed structure. MEPs oppose the creation of "mega-funds", fearing that the restructuring of existing instruments would disrupt their functioning and effectiveness. They also reject the proposed approach of a "single national plan", deemed unsuitable for managing shared expenditures.

Reactions in national capitals are no more favourable. Germany and the Netherlands object to what they consider excessive spending increases and oppose the creation of new own resources based on EU-level taxes targeting large companies. France, facing the prospect of domestic austerity measures, shares these concerns.

The beginning of a long negotiation process

Whereas negotiations on the previous MFF lasted two and a half years, António Costa indicated to Heads of States and government he plans to finalise discussions on the budget by the end of 2026. This ambitious timetable would allow negotiations to be completed before the 2027 French presidential election, thereby avoiding the risk of a complex renegotiation with a potentially uncertain new majority.

It now falls to the Council to negotiate and adopt, unanimously and with the approval of the European Parliament, the European Commission's proposal. For certain elements of the "revenue" propositions, approval by Member States national parliaments will also be necessary. ●